

AMENDED IN SENATE MARCH 29, 2012

SENATE BILL

No. 1151

Introduced by Senator Steinberg

February 21, 2012

An act to amend Section 34177 of, and to add ~~Section~~ *Sections* 34177.1 and 34177.2 to, the Health and Safety Code, relating to ~~redevelopment~~ *economic development*.

LEGISLATIVE COUNSEL'S DIGEST

SB 1151, as amended, Steinberg. ~~Redevelopment: long-range~~ *Sustainable Economic Development and Housing Trust Fund: long-range* asset management plan.

Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law imposes various requirements on successor agencies and subjects successor agency actions to the review of oversight boards. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, dispose of assets and properties of the former redevelopment agencies, as directed by the oversight board. Proceeds from the sale of assets are transferred to the county auditor-controller for distribution as property tax proceeds to taxing entities, as prescribed.

This bill would *provide that the asset disposition and transfer provisions do not apply to a jurisdiction in which a Community Development and Housing Authority (authority) has been formed by August 1, 2012. The bill would establish a Sustainable Economic Development and Housing Trust Fund, to be administered by an authority, to serve as a repository of the unencumbered balances and*

assets of the former redevelopment agency. The bill would authorize moneys from the fund to be expended for specified purposes relating to economic development and affordable housing. The bill would require the successor agency an authority to prepare a long-range long-range asset management plan that outlines a strategy for maximizing the long-term value of the real property and assets of the former redevelopment agency for ongoing economic development and housing functions governs the disposition and ongoing use of the fund. The bill would require the successor agency an authority to submit the plan to the Department of Finance and the oversight board by December 1, 2012, and would require the approval of the plan by the department and oversight board by December 31, 2012 department to approve or return the plan for revision to the authority prior to final approval by December 31, 2012.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares that the assets,
- 2 properties, contracts, leases, books and records, buildings, and
- 3 equipment of former redevelopment agencies constitute a valuable
- 4 resource that should be maintained for the purpose of economic
- 5 development and housing within the communities served by the
- 6 former redevelopment agency.
- 7 SEC. 2. Section 34177 of the Health and Safety Code is
- 8 amended to read:
- 9 34177. Successor agencies are required to do all of the
- 10 following:
- 11 (a) Continue to make payments due for enforceable obligations.
- 12 (1) On and after February 1, 2012, and until a Recognized
- 13 Obligation Payment Schedule becomes operative, only payments
- 14 required pursuant to an enforceable obligations payment schedule
- 15 shall be made. The initial enforceable obligation payment schedule
- 16 shall be the last schedule adopted by the redevelopment agency
- 17 under Section 34169. However, payments associated with
- 18 obligations excluded from the definition of enforceable obligations
- 19 by paragraph (2) of subdivision (e) of Section 34171 shall be
- 20 excluded from the enforceable obligations payment schedule and
- 21 be removed from the last schedule adopted by the redevelopment

1 agency under Section 34169 prior to the successor agency adopting
2 it as its enforceable obligations payment schedule pursuant to this
3 subdivision. The enforceable obligation payment schedule may
4 be amended by the successor agency at any public meeting and
5 shall be subject to the approval of the oversight board as soon as
6 the board has sufficient members to form a quorum.

7 (2) The Department of Finance and the Controller shall each
8 have the authority to require any documents associated with the
9 enforceable obligations to be provided to them in a manner of their
10 choosing. Any taxing entity, the department, and the Controller
11 shall each have standing to file a judicial action to prevent a
12 violation under this part and to obtain injunctive or other
13 appropriate relief.

14 (3) Commencing on May 1, 2012, only those payments listed
15 in the Recognized Obligation Payment Schedule may be made by
16 the successor agency from the funds specified in the Recognized
17 Obligation Payment Schedule. In addition, commencing May 1,
18 2012, the Recognized Obligation Payment Schedule shall supersede
19 the Statement of Indebtedness, which shall no longer be prepared
20 nor have any effect under the Community Redevelopment Law.

21 (4) Nothing in the act adding this part is to be construed as
22 preventing a successor agency, with the prior approval of the
23 oversight board, as described in Section 34179, from making
24 payments for enforceable obligations from sources other than those
25 listed in the Recognized Obligation Payment Schedule.

26 (5) From February 1, 2012, to July 1, 2012, a successor agency
27 shall have no authority and is hereby prohibited from accelerating
28 payment or making any lump-sum payments that are intended to
29 prepay loans unless such accelerated repayments were required
30 prior to the effective date of this part.

31 (b) Maintain reserves in the amount required by indentures,
32 trust indentures, or similar documents governing the issuance of
33 outstanding redevelopment agency bonds.

34 (c) Perform obligations required pursuant to any enforceable
35 obligation.

36 (d) (1) Remit unencumbered balances of redevelopment agency
37 funds to the county auditor-controller for distribution to the taxing
38 entities, including, but not limited to, the unencumbered balance
39 of the Low and Moderate Income Housing Fund of a former
40 redevelopment agency. In making the distribution, the county

auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(2) This subdivision shall not apply to a jurisdiction where a Community Development and Housing Joint Powers Authority has been formed pursuant to Part 1.86 (commencing with Section 34191.1) by August 1, 2012.

(e) (1) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board, provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181, ~~and in accordance with the long range asset management plan specified in Section 34177.1.~~ The disposal shall be done expeditiously, in a manner aimed at maximizing value, ~~but shall not be done until the long range asset management plan is approved.~~ Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

~~(2) Prior to the disposal of any real property pursuant to this subdivision, the successor agency shall comply with all relevant provisions of the Government Code, Public Contract Code, and other codes, relating to the rules and disclosure requirements for the fair market valuation of assets, competitive bidding, and conflicts of interest.~~

(2) This subdivision shall not apply to a jurisdiction where a Community Development and Housing Joint Powers Authority has been formed pursuant to Part 1.86 (commencing with Section 34191.1) by August 1, 2012.

(f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

(h) Expeditiously wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the oversight board.

1 (i) Continue to oversee development of properties until the
2 contracted work has been completed or the contractual obligations
3 of the former redevelopment agency can be transferred to other
4 parties. Bond proceeds shall be used for the purposes for which
5 bonds were sold unless the purposes can no longer be achieved,
6 in which case, the proceeds may be used to defease the bonds.

7 (j) Prepare a proposed administrative budget and submit it to
8 the oversight board for its approval. The proposed administrative
9 budget shall include all of the following:

10 (1) Estimated amounts for successor agency administrative costs
11 for the upcoming six-month fiscal period.

12 (2) Proposed sources of payment for the costs identified in
13 paragraph (1).

14 (3) Proposals for arrangements for administrative and operations
15 services provided by a city, county, city and county, or other entity.

16 (k) Provide administrative cost estimates, from its approved
17 administrative budget that are to be paid from property tax revenues
18 deposited in the Redevelopment Property Tax Trust Fund, to the
19 county auditor-controller for each six-month fiscal period.

20 (l) (1) Before each six-month fiscal period, prepare a
21 Recognized Obligation Payment Schedule in accordance with the
22 requirements of this paragraph. For each recognized obligation,
23 the Recognized Obligation Payment Schedule shall identify one
24 or more of the following sources of payment:

25 (A) Low and Moderate Income Housing Fund.

26 (B) Bond proceeds.

27 (C) Reserve balances.

28 (D) Administrative cost allowance.

29 (E) The Redevelopment Property Tax Trust Fund, but only to
30 the extent no other funding source is available or when payment
31 from property tax revenues is required by an enforceable obligation
32 or by the provisions of this part.

33 (F) Other revenue sources, including rents, concessions, asset
34 sale proceeds, interest earnings, and any other revenues derived
35 from the former redevelopment agency, as approved by the
36 oversight board in accordance with this part.

37 (2) A Recognized Obligation Payment Schedule shall not be
38 deemed valid unless all of the following conditions have been met:

39 (A) A draft Recognized Obligation Payment Schedule is
40 prepared by the successor agency for the enforceable obligations

1 of the former redevelopment agency by March 1, 2012. From
2 October 1, 2011, to July 1, 2012, the initial draft of that schedule
3 shall project the dates and amounts of scheduled payments for
4 each enforceable obligation for the remainder of the time period
5 during which the redevelopment agency would have been
6 authorized to obligate property tax increment had such a
7 redevelopment agency not been dissolved, and shall be reviewed
8 and certified, as to its accuracy, by an external auditor designated
9 pursuant to Section 34182.

10 (B) The certified Recognized Obligation Payment Schedule is
11 submitted to and duly approved by the oversight board.

12 (C) A copy of the approved Recognized Obligation Payment
13 Schedule is submitted to the county auditor-controller and both
14 the Controller's office and the Department of Finance and be posted
15 on the successor agency's Internet Web site.

16 (3) The Recognized Obligation Payment Schedule shall be
17 forward looking to the next six months. The first Recognized
18 Obligation Payment Schedule shall be submitted to the Controller's
19 office and the Department of Finance by April 15, 2012, for the
20 period of January 1, 2012, to June 30, 2012, inclusive. Former
21 redevelopment agency enforceable obligation payments due, and
22 reasonable or necessary administrative costs due or incurred, prior
23 to January 1, 2012, shall be made from property tax revenues
24 received in the spring of 2011 property tax distribution, and from
25 other revenues and balances transferred to the successor agency.

26 SEC. 3. Section 34177.1 is added to the Health and Safety
27 Code, to read:

28 ~~34177.1. (a) The successor agency shall prepare a long range~~
29 ~~asset management plan that outlines a strategy for maximizing the~~
30 ~~long-term value of the real property and assets of the former~~
31 ~~redevelopment agency for ongoing economic development and~~
32 ~~housing functions.~~

33 ~~(b) The plan shall do all of the following:~~

34 ~~(1) Address the use or disposition of all of the assets of the~~
35 ~~former redevelopment agency identified by the county~~
36 ~~auditor-controller in the audit conducted pursuant to subdivision~~
37 ~~(a) of Section 34182.~~

38 ~~(2) Include an inventory of all assets identified by the~~
39 ~~auditor-controller consisting of an estimate of the market value of~~
40 ~~the asset and a description of the highest and best use of the asset~~

1 for the community. Permissible uses include the retention of the
2 asset for governmental use pursuant to subdivision (a) of Section
3 34181, the sale of the asset, and the retention of the asset in a
4 governmental trust for the purpose of maximizing the value of the
5 asset for ongoing economic development activity.

6 (e) ~~The successor agency shall submit the plan to the department~~
7 ~~and the oversight board by December 1, 2012. The plan shall be~~
8 ~~approved by both the oversight board and the department by~~
9 ~~December 31, 2012. The department, in consultation with the~~
10 ~~oversight board, may object to and modify any provision of the~~
11 ~~plan.~~

12 34177.1. (a) *A Community Development and Housing*
13 *Authority established pursuant to Part 1.86 (commencing with*
14 *Section 34191.1) shall prepare a long-range asset management*
15 *plan that shall govern the disposition and ongoing use of the*
16 *Sustainable Economic Development and Housing Trust Fund.*

17 (b) (1) *The long-range asset management plan shall be*
18 *submitted to the Department of Finance for approval by December*
19 *1, 2012. The department shall approve the plan or return the plan*
20 *to the authority for revisions prior to final approval, by December*
21 *31, 2012. The plan shall be updated annually and submitted to the*
22 *department for approval by December 1 of each year.*

23 (2) *The department, as a condition of granting approval to the*
24 *long-range asset management plan submitted by the authority,*
25 *may choose to establish a minimum asset distribution requirement,*
26 *to ensure that K–14 schools and local agencies receive a minimal*
27 *amount of funding from the dissolution of assets of the trust*
28 *pursuant to Section 34188.*

29 (c) *The long-range asset management plan shall outline a*
30 *strategy for maximizing the long-term social and monetary value*
31 *of the real property and assets in the trust for the purpose of*
32 *sustainable economic development consistent with Part 1.86*
33 *(commencing with Section 34191.1) and creating high wage, high*
34 *skill jobs, and affordable housing.*

35 (d) *The long-range asset management plan shall do both of the*
36 *following:*

37 (1) *Include an inventory of all assets in the trust, including, but*
38 *not limited to, all assets identified by the auditor-controller in the*
39 *audit conducted pursuant to subdivision (a) of Section 34182. The*
40 *inventory shall consist of the following:*

1 (A) *The date of the acquisition of the asset and the value of the*
2 *asset at that time, and an estimate of the current value of the asset.*

3 (B) *The purpose for which the asset was acquired.*

4 (C) *For real property assets:*

5 (i) *Parcel data, including address, lot size, and current zoning*
6 *in the former agency redevelopment plan or specific, community,*
7 *or general plan.*

8 (ii) *An estimate of the current value of the parcel, including, if*
9 *available, any appraisal information.*

10 (iii) *A history of environmental contamination, including*
11 *designation as a brownfield, and any related environmental studies*
12 *and history of any remediation efforts.*

13 (iv) *A description of the strategic value of the property with*
14 *respect to its potential for transit-oriented development and*
15 *advancing the planning objectives of the member agencies of the*
16 *Community Development and Housing Authority.*

17 (v) *A brief history of previous development proposals and*
18 *activity, including rental or lease of property.*

19 (2) *Address the use or disposition of all of the assets in the trust.*
20 *Permissible uses include the retention of the asset for governmental*
21 *use pursuant to subdivision (a) of Section 34181, the sale of the*
22 *asset, and the retention of the asset in the trust for future use. It*
23 *shall not be necessary to maximize the monetary value of the asset*
24 *if an alternative deployment of the asset furthers social and*
25 *community objectives determined by the authority and consistent*
26 *with this article. Property disposed of by the authority shall not*
27 *be the subject of real estate speculation.*

28 (e) *All entities receiving financial support from or authorized*
29 *by this article shall incorporate into any and all agreements a jobs*
30 *plan, which shall describe how the project will create construction*
31 *careers that pay prevailing wages, living wage permanent jobs,*
32 *and a program for community outreach, local hire, and job*
33 *training. This plan shall also describe the project developer's*
34 *commitment to offer jobs to disadvantaged California residents,*
35 *including veterans of the Iraq and Afghanistan wars, people with*
36 *a history in the criminal justice system, and single parent families.*

37 SEC. 4. *Section 34177.2 is added to the Health and Safety*
38 *Code, to read:*

39 34177.2. (a) *The Sustainable Economic Development and*
40 *Housing Trust Fund is hereby established to serve as the repository*

1 of the unencumbered balances for each former redevelopment
2 agency's funds, assets, and properties. For purposes of this section,
3 "assets" shall include, but are not limited to, real and personal
4 property holdings, tax revenues, former redevelopment project
5 revenues, other revenues, and investment accounts, deeds of trust
6 and mortgages held by the former agency, rents, fees, charges,
7 moneys, accounts receivable, contracts rights, and other rights to
8 payment of whatever kind or other real or personal property.

9 (b) In addition to the assets of the former redevelopment
10 agencies, the trust fund may accept revenues from any source,
11 including tax revenues, grants, and loans. Notwithstanding
12 paragraph (1) of subdivision (e) of Section 34177, the proceeds
13 of asset sales may be retained for ongoing sustainable economic
14 development and affordable housing activities of the joint powers
15 authority specified in and consistent with Part 1.86 (commencing
16 with Section 34191.1), and shall not be distributed as property tax
17 pursuant to Section 34188.

18 (c) The Sustainable Economic Development and Housing Trust
19 Fund shall be administered by the Community Development and
20 Housing Joint Powers Authority established pursuant to Part 1.86
21 (commencing with Section 34191.1).

22 (d) Moneys in the Sustainable Economic Development and
23 Housing Trust Fund may be used for any of the following purposes:

24 (1) The purchase, acquisition, financing, or maintenance of
25 public or private infrastructure needed for infill development
26 consistent with Chapter 728 of the Statutes of 2008.

27 (2) Affordable housing.

28 (3) Transitional housing needed for former inmate populations
29 transferred to the jurisdiction of the counties pursuant to the 2011
30 criminal justice realignment.

31 (4) Loans to public or private entities for development activities
32 defined in Section 34191.2.

33 (5) Environmental mitigation, including, but not limited to,
34 brownfield site remediation.

35 (6) Payment of liabilities of the former redevelopment agency.

36 (7) Land acquisition.

37 (8) Clean energy and energy efficiency investments.

38 (9) Educational, labor-management, and job training programs
39 leading to careers in high-need, high-growth, or emerging regional
40 economic sectors.

- 1 (e) *This section shall apply to a jurisdiction where a Community*
- 2 *Development and Housing Authority has been formed pursuant to*
- 3 *Part 1.86 (commencing with Section 34191.1) by August 1, 2012.*

O